Closure of Scheduled Commercial Bank Branches in rural areas

3747. SHRI A. ELAVARASAN: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that there is huge closure of Scheduled Commercial Bank Branches in rural areas as per the Reserve Bank of India report, which drastically decreased the rural credit; and

(b) if so, the details of actions taken by Government in this regard?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) and (b) As per data furnished by the Reserve Bank of India (RBI), the number of 'Rural' branches of Scheduled Commercial Banks have reduced from 32,244 (as on 30.6.2003) to 30,628 (as on 30.6.2007). During the same period, the 'Semi-Urban' branches have increased from 14,904 to 16,296, 'Urban' branches from 10,733 to 12,914 and 'Metropolitan' branches from 8,744 to 11,913. As reported by the RBI, during the same period, the flow of credit to Priority Sector, Agriculture and Weaker Sections increased in absolute terms.

The reduction in the number of rural branches is not necessarily on account of closure of rural branches. Based on population category, the banks are classified in four groups *i.e.* 'Rural' (upto 9999 population), 'Semi-Urban' (from 10,000 to 99,999 population), 'Urban' (from 1 lakh to 9,99,999 population) and 'Metropolitan' (10 lakh and above population). Earlier the bank branches were classified based on the 1991 Census and these have now been reclassified by the RBI on the basis of the 2001 Census (made effective from 2006 onwards). Therefore, the branches, which were earlier classified as 'Rural' as per 1991 Census data, may have moved into a higher population category on account of increase in population of the respective centres resulting in the reclassification of the branch into 'Semi-Urban'.

Besides, apart from re-classification due to increase in population of the particular centre, there are also instances where certain centres, which were earlier classified as 'Rural', were brought into the jurisdiction of the adjoining Municipality/Municipal Corporations and thus classified as 'Urban'/'Metropolitan' depending on the population of the Municipality/Municipal Corporation.

Under the extant Branch Authorisation Policy of RBI, closure of even loss making branches in rural centres having a single commercial bank branches (excluding Regional Rural Bank branch) is not permitted, as the closure would render the centre unbanked. The proposals for closure of a rural branch at a centre served by more than one commercial bank branch are requried to be submitted to RBI by banks in the Annual Branch Expansion Plan after obtaining approval of District Consultative Committee (DCC). RBI considers these proposals on a case-to-case basis and closure of rural branches is approved only under exceptional circumstances like adverse law and order problem, natural calamities etc.

To ensure greater financial inclusion, especially in the rural areas and for increasing the outreach of the banking sector, RBI has permitted banks to provide banking services using the services of Business Facilitator/Business Correspondents. In rural centres, where it is felt that there is limited business potential for opening a bank branch, banks have started reaching out by providing banking services based on smart card technology.